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January 21, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Floor
Boston, Massachusetts 02110

Re: D.T.E. 03-88A, D.T.E. 03-88B, D.T.E. 03-88C, D.T.E. 03-88D, D.T.E. 03-88E
and D.T.E. 03-88F, Costs To Be Included in Default Service Rates

Dear Secretary Cottrell:

Enclosed for filing are: (1) the Joint Motion for Approval of Settlement Agreement; and (2) the Settlement Agreement entered into by Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, Fitchburg Gas and Electric Light Company, Massachusetts Electric Company, Nantucket Electric Company, Western Massachusetts Electric Company, the Attorney General and Associated Industries of Massachusetts in the above-referenced matters. Also enclosed is a Certificate of Service.

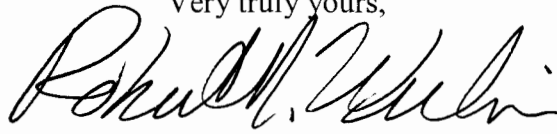
The Settlement Agreement is intended to resolve all issues in these cases and to result in the termination of D.T.E. 03-88A through D.T.E. 03-88F. As described in the Settlement Agreement, it shall be deemed withdrawn if not approved in its entirety by the Department by February 18, 2005.

In addition, I am authorized to represent that Select Energy, Inc. supports the Settlement Agreement and that the Division of Energy Resources, the Low-Income Weatherization and Fuel Assistance Network and Massachusetts Community Action Program Directors Association, Inc. have no objection to the Settlement Agreement.

Letter to Secretary Cottrell
January 21, 2005
Page 2

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert N. Werlin". The signature is fluid and cursive, with the first name "Robert" being the most prominent part.

Robert N. Werlin

cc: John Geary, Hearing Officer
Service Lists

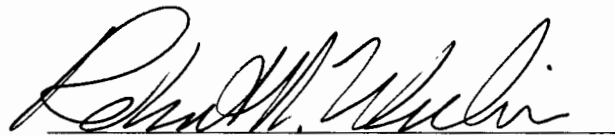
COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

| | | |
|--|---|---------------|
| |) | |
| Boston Edison Company |) | D.T.E. 03-88A |
| Cambridge Electric Light Company |) | D.T.E. 03-88B |
| Commonwealth Electric Company |) | D.T.E. 03-88C |
| Fitchburg Gas and Electric Light Company |) | D.T.E. 03-88D |
| Massachusetts Electric Company and |) | |
| Nantucket Electric Company |) | D.T.E. 03-88E |
| Western Massachusetts Electric Company |) | D.T.E. 03-88F |
| |) | |

CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing document upon the Department of Telecommunications and parties of record in accordance with the requirements of 220 C.M.R. 1.05 (Department's Rules of Practice and Procedures).



Robert N. Werlin, Esq.
Keegan, Werlin & Pabian, LLP
265 Franklin Street
Boston, Massachusetts 02110
(617) 951-1400

Dated: January 21, 2005

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

| | | |
|--|---|---------------|
| |) | |
| Boston Edison Company |) | D.T.E. 03-88A |
| Cambridge Electric Light Company |) | D.T.E. 03-88B |
| Commonwealth Electric Company |) | D.T.E. 03-88C |
| Fitchburg Gas and Electric Light Company |) | D.T.E. 03-88D |
| Massachusetts Electric Company and |) | |
| Nantucket Electric Company |) | D.T.E. 03-88E |
| Western Massachusetts Electric Company |) | D.T.E. 03-88F |
| |) | |

JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company, Western Massachusetts Electric Company, the Attorney General of the Commonwealth and Associated Industries of Massachusetts (collectively, the "Settling Parties") jointly move, pursuant to 220 C.M.R. § 1.04(5), for Department of Telecommunications and Energy (the "Department") approval of the Settlement Agreement (the "Settlement Agreement") filed herewith. This Settlement Agreement is offered with the intent of terminating D.T.E. 03-88A through D.T.E. 03-88F and resolving all issues relating thereto.

This Settlement Agreement is conditioned on approval in its entirety by the Department and on the further condition that, if the Department does not approve the Settlement Agreement in its entirety by February 18, 2005, it shall be deemed withdrawn.

WHEREFORE, the Settling Parties request that the Department grant this Joint Motion for Approval of Settlement Agreement on or before February 18, 2005.

Respectfully Submitted,

**BOSTON EDISON COMPANY
CAMBRIDGE ELECTRIC
LIGHT COMPANY and
COMMONWEALTH ELECTRIC
COMPANY
d/b/a NSTAR Electric**

By their attorney,



Robert N. Werlin
Keegan, Werlin & Pabian, LLP
265 Franklin Street
Boston, MA 02110

**FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY
d/b/a UNITIL**

By its attorney,



Gary Epler
Senior Regulatory Counsel
Unitil Service Corporation
6 Liberty Lane West
Hampton, NH 03842

**MASSACHUSETTS ELECTRIC
COMPANY and
NANTUCKET ELECTRIC
COMPANY**

By their attorney,



Amy G. Rabinowitz
25 Research Drive
Westboro, MA 01582

**WESTERN MASSACHUSETTS
ELECTRIC COMPANY**

By its attorney,



Stephen Klionsky
100 Summer Street, 23rd Floor
Boston, MA 02110

**ATTORNEY GENERAL OF
MASSACHUSETTS**

By his attorneys,



Joseph Rogers
Colleen McConnell
Assistant Attorneys General
Regulated Industries Division
One Ashburton Place
Boston, MA 02108

Dated: January 21, 2005

**ASSOCIATED INDUSTRIES OF
MASSACHUSETTS**

By its attorney,



Robert Ruddock
222 Berkeley Street
P.O. Box 763
Boston, MA 02117-0763

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

| | | |
|--|---|---------------|
| |) | |
| Boston Edison Company |) | D.T.E. 03-88A |
| Cambridge Electric Light Company |) | D.T.E. 03-88B |
| Commonwealth Electric Company |) | D.T.E. 03-88C |
| Fitchburg Gas and Electric Light Company |) | D.T.E. 03-88D |
| Massachusetts Electric Company and |) | |
| Nantucket Electric Company |) | D.T.E. 03-88E |
| Western Massachusetts Electric Company |) | D.T.E. 03-88F |
| |) | |

SETTLEMENT AGREEMENT

Boston Edison Company (“Boston Edison”), Cambridge Electric Light Company (“Cambridge”), Commonwealth Electric Company (“Commonwealth”) (together, “NSTAR Electric”), Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”), Massachusetts Electric Company and Nantucket Electric Company (together, “MECo”) and Western Massachusetts Electric Company (“WMECo”) (individually, each a “Distribution Company” and collectively, the “Distribution Companies”), the Attorney General of the Commonwealth (the “Attorney General”) and Associated Industries of Massachusetts (collectively, the “Settling Parties”) agree, subject to the approval by the Department of Telecommunications and Energy (the “Department”), to resolve all issues relating to these proceedings.

ARTICLE 1

INTRODUCTION

1.1 On November 17, 2003, the Department issued an order requiring certain types of costs now included in base distribution rates to be included in Default Service, as

defined in G.L. c. 164, § 1B(d)) and requiring that each of the Distribution Companies submit filings to comply with that order.

- 1.2 On January 20, 2004, NSTAR Electric submitted its compliance filing, including the prefiled written testimony of Henry C. LaMontagne and supporting documentation.
- 1.3 On January 20, 2004, Unitil submitted its compliance filing, including the prefiled written testimony of Karen M. Asbury and supporting documentation.
- 1.4 On January 20, 2004, MECo submitted its compliance filing, including the prefiled written testimony of Theresa M. Burns and Michael J. Hager and supporting documentation.
- 1.5 On January 20, 2004, WMECo submitted its compliance filing, including the prefiled written testimony of Edward A. Davis and supporting documentation.
- 1.6 The Department, the Attorney General and Constellation conducted discovery in these proceedings.
- 1.7 This Settlement Agreement is offered with the intent of terminating D.T.E. 03-88A through D.T.E. 03-88F and resolving all issues relating thereto. This Settlement Agreement is not offered to establish the position of any party with respect to the method of unbundling costs and rates, the ratemaking treatment of bad debt or any other cost, including administrative costs, the method of determining and allocating overhead costs and rates, and the Settling Parties agree that this Settlement Agreement will have not precedential effect on those ratemaking issues.

- 1.8 This Settlement Agreement resolves all issues relating to these proceedings, as follows:

ARTICLE 2

TERMS OF AGREEMENT

- 2.1 The Settling Parties agree that any transfer of cost recovery from base distribution rates to Default Service rates be revenue neutral to each of the Distribution Companies. Except for Unitil, no additional category or categories of costs are to be collected and no category or categories of costs are to be eliminated when the recovery of such costs are transferred from base distribution rates into Default Service rates. Unitil shall collect bad debt and working capital in Default Service, which has already been removed from base distribution rates.
- 2.2 The Settling Parties agree that the recovery of costs so transferred shall be collected in Default Service rates, but the Settling Parties agree that for accounting, ratemaking and all other purposes they shall be treated as base distribution costs and revenue.
- 2.3 The Settling Parties agree that each of the Distribution Companies shall increase its Default Service rates and reduce its distribution rates to implement the transfer of the recovery of costs effective on the first date after March 1, 2005 on which said Distribution Company's Default Service rates are changed for all classes of customers.
- 2.4 The Settling Parties agree that the amount of the transfer of cost recovery shall be as set forth in the Settlement Appendices, which compute: (a) the amount of wholesale and direct retail costs, as defined by the Department's November 17,

2003 order, that are to be collected in Default Service rates; (b) the per-kilowatt-hour (“kWh”) increase in Default Service rates designed to recover that level of costs;¹ and (c) the corresponding decrease in distribution rates to remove that level of costs from distribution rates. Such costs shall be fixed until the next general distribution rate case in which a Distribution Company proposes or the Department directs the removal of Default Service-related costs, or unless otherwise proposed to be adjusted by the Distribution Company, subject to approval by the Department; except that for Unitil, bad debt and working capital shall change as provided by its Default Service tariff, M.D.T.E. No. 114, as amended from time to time. However, at such time that the migration of a Distribution Company’s customers from Default Service to competitive supply increases to a significant level as compared to the level at the time the rate adjustments included in the Settlement Appendices are implemented, the Settling Parties agree that the rate adjustments included in the Settlement Appendices may be adjusted to reflect the decline in Default Service customers.

- 2.5 The Settling Parties agree that no incremental administrative wholesale costs or incremental administrative direct retail costs are included in the costs shown in the Settlement Appendices, although the Department has stated that such costs may be included (see, Order Opening Investigation, D.T.E. 03-88 (November 17, 2003), pp. 2-3). The Settling Parties further agree that should any law, rule, regulation, Department order or Department directive revise the procedure for the

¹ The projection of Default Service sales is based on the sales volume to existing customers taking Default Service, plus the sales volume to existing customers presently taking Standard Offer Service. Because Standard Offer Service will end on February 28, 2005, it is assumed that all such customers will be transferred to Default Service.

- procurement of Default Service or its successor service in such a way as to substantially increase administrative wholesale costs and/or direct retail costs, this Settlement shall not preclude any party from petitioning the Department for recovery of any or all such additional costs.
- 2.6 The Settling Parties agree that to ensure that the transfer of cost recovery is revenue neutral to each of the Distribution Companies, it is necessary and appropriate to perform an annual reconciliation of revenue recovery. Said annual reconciliation will be performed to reconcile any differences in the sales volumes from the volumes projected when the adjustment factors were implemented for the year being reconciled. The Settling Parties agree that there will be no reconciliation to the level of costs actually incurred, except as discussed in Section 2.4 regarding significant increases in migration to competitive supply, but rather the reconciliation will ensure only that the recovery of the costs to be transferred (as computed for each of the Distribution Companies in the Settlement Appendices) is collected in rates for Default Service and that the corresponding level of revenue reductions are implemented through lower distribution rates. For Unifil, the reconciliation shall reflect bad debt and working capital calculated in accordance with its Default Service tariff.
- 2.7 Each of the Distribution Companies shall annually propose adjustments to the Default Service rates and distribution rates to adjust for any over- or undercollection computed in the annual reconciliation. Any such over- or undercollection shall be deferred for later recovery upon review and approval by the Department. Carrying charges for any over- or undercollection will be

computed at the Distribution Company's applicable rate reflected in its Default Service recovery mechanism. A Distribution Company may seek an interim change in the Default Service rate or distribution rate if significant over- or undercollections occur or are expected to occur.

ARTICLE 3

CONDITIONS

- 3.1 This Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false. Except as specified in this Settlement Agreement, the entry of an order by the Department approving the Settlement Agreement shall not in any respect constitute a determination by the Department as to the merits of any other issue raised in this proceeding.
- 3.2 The making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as to those issues and proceedings that are stated in this Settlement Agreement as being resolved and terminated by approval of this Settlement Agreement.
- 3.3 This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of those negotiations (including any workpapers or documents produced in connection with the negotiations) are confidential, that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion, and that they will not use the content of those negotiations in any manner in these or other

proceedings involving one or more of the parties to this Settlement Agreement, or otherwise.

3.4 The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned on its approval in full by the Department.

3.5 If the Department does not approve the Settlement Agreement in its entirety by February 18, 2005, it shall be deemed to be withdrawn and shall not constitute a part of the record in any proceeding or used for any other purpose.

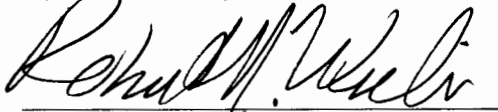
3.6 The Department shall have continuing jurisdiction to enforce the terms of this Settlement Agreement.

The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

**BOSTON EDISON COMPANY
CAMBRIDGE ELECTRIC
LIGHT COMPANY and
COMMONWEALTH ELECTRIC
COMPANY
d/b/a NSTAR Electric**

**FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY
d/b/a UNITIL**

By their attorney,



Robert N. Werlin
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Boston, MA 02110

By its attorney,



Gary Epler
Senior Regulatory Counsel
Unitil Service Corporation
6 Liberty Lane West
Hampton, NH 03842

**MASSACHUSETTS ELECTRIC
COMPANY and
NANTUCKET ELECTRIC
COMPANY**

By their attorney,

 (cnn)

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25 Research Drive
Westboro, MA 01582

**WESTERN MASSACHUSETTS
ELECTRIC COMPANY**

By its attorney,

 (cnn)

Stephen Klionsky
100 Summer Street, 23rd Floor
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**ATTORNEY GENERAL OF
MASSACHUSETTS**


By his attorneys,

 (cnn)

Joseph Rogers
Colleen McConnell
Assistant Attorneys General
Regulated Industries Division
One Ashburton Place
Boston, MA 02108

**ASSOCIATED INDUSTRIES OF
MASSACHUSETTS**

By its attorney,

 (cnn)

Robert Ruddock
222 Berkeley Street
P.O. Box 763
Boston, MA 02117-0763

Dated: January 21, 2005

SETTLEMENT APPENDICES

**Boston Edison Company
Cambridge Electric Light Company
Commonwealth Electric Company
d/b/a NSTAR Electric**

NSTAR ELECTRIC
D.T.E. 03-88A, D.T.E. 03-88B, D.T.E. 03-88C
Year 2003

Wholesale Costs to be included with Default Service (1)

| <u>Description</u> | <u>Total</u> | <u>Boston Edison</u> | <u>Commonwealth</u> | <u>Cambridge</u> |
|--------------------|--------------|----------------------|---------------------|------------------|
| Solicitation | \$ 132,470 | \$ 95,116 | \$ 25,599 | \$ 11,756 |
| Administration | \$ 12,244 | \$ 8,792 | \$ 2,366 | \$ 1,087 |
| Total | \$ 144,715 | \$ 103,907 | \$ 27,965 | \$ 12,842 |

Direct Retail Costs to be included with Default Service

| <u>Description</u> | <u>Total</u> | <u>Boston Edison</u> | <u>Commonwealth</u> | <u>Cambridge</u> |
|------------------------|--------------|----------------------|---------------------|------------------|
| Bad Debt(2) | \$ 7,925,131 | \$ 6,406,258 | \$ 1,236,175 | \$ 282,698 |
| Cust Communications(3) | \$ 94,922 | \$ 61,767 | \$ 28,293 | \$ 4,862 |
| RPS Costs(1) | \$ 3,597 | \$ 2,583 | \$ 695 | \$ 319 |
| Total | \$ 8,023,650 | \$ 6,470,608 | \$ 1,265,163 | \$ 287,878 |

| | | | | |
|--------------------|---------------------|---------------------|---------------------|-------------------|
| Total Costs | \$ 8,168,364 | \$ 6,574,515 | \$ 1,293,128 | \$ 300,721 |
|--------------------|---------------------|---------------------|---------------------|-------------------|

| | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| DS & SO - mWh | 16,472,430.7 | 11,782,693.4 | 3,219,251 | 1,470,487 |
| DS - Adjustment | \$ 0.00050 | \$ 0.00056 | \$ 0.00040 | \$ 0.00020 |

| | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Total - mWh | 20,807,957.5 | 14,988,130.4 | 4,171,393.2 | 1,648,433.9 |
| Distribution Adj. | \$ 0.00039 | \$ 0.00044 | \$ 0.00031 | \$ 0.00018 |

Allocation Factors

| | | | | |
|-------------------|----------------|----------------|----------------|---------------|
| DS & SO Revenue | \$ 899,448,572 | \$ 645,817,407 | \$ 173,812,918 | \$ 79,818,247 |
| DS & SO Pamphlets | 4,764,000 | 3,100,000 | 1,420,000 | 244,000 |

(1) NSTAR total costs allocated to individual company in proportion to company DS revenue

(2) Reflects the sum of the net write-offs for existing Default and Standard Offer customers.
See Exhibit NSTAR-HCL-2.

(3) Costs allocated in proportion to # of pamphlets distributed.

NSTAR ELECTRIC
D.T.E. 03-88A, D.T.E. 03-88B, D.T.E. 03-88C
Year 2003

Boston Edison - Bad Debt Allocation

| <u>Service Type</u> | <u>mWh</u> | <u>Percent</u> | <u>Revenue</u> | <u>Percent</u> | <u>Bad Debt(1)</u> | <u>\$/kWh</u> |
|---------------------|--------------|----------------|-----------------------|----------------|---------------------|---------------|
| Default | 4,613,960.1 | 30.8% | \$ 269,524,659 | 17.0% | \$ 2,673,580 | \$ 0.00058 |
| Standard Offer | 7,168,733.3 | 47.8% | \$ 376,292,748 | 23.8% | \$ 3,732,678 | \$ 0.00052 |
| Competitive | 3,205,437.0 | 21.4% | \$ - | 0.0% | \$ - | \$ - |
| <u>Delivery</u> | | <u>0.0%</u> | <u>\$ 936,376,456</u> | <u>59.2%</u> | <u>\$ 9,288,492</u> | |
| Total | 14,988,130.4 | 100.0% | \$ 1,582,193,863 | 100.0% | \$ 15,694,750 | \$ 0.00105 |

Commonwealth Electric - Bad Debt Allocation

| <u>Service Type</u> | <u>mWh</u> | <u>Percent</u> | <u>Revenue</u> | <u>Percent</u> | <u>Bad Debt(1)</u> | <u>\$/kWh</u> |
|---------------------|-------------|----------------|-----------------------|----------------|---------------------|---------------|
| Default | 660,147.8 | 15.8% | \$ 36,449,423 | 7.7% | \$ 259,232 | \$ 0.00039 |
| Standard Offer | 2,559,102.8 | 61.3% | \$ 137,363,495 | 29.1% | \$ 976,943 | \$ 0.00038 |
| Competitive | 952,142.6 | 22.8% | \$ - | 0.0% | \$ - | \$ - |
| <u>Delivery</u> | | <u>0.0%</u> | <u>\$ 298,159,553</u> | <u>63.2%</u> | <u>\$ 2,120,540</u> | |
| Total | 4,171,393.2 | 100.0% | \$ 471,972,471 | 100.0% | \$ 3,356,715 | \$ 0.00080 |

Cambridge Electric - Bad Debt Allocation

| <u>Service Type</u> | <u>mWh</u> | <u>Percent</u> | <u>Revenue</u> | <u>Percent</u> | <u>Bad Debt(1)</u> | <u>\$/kWh</u> |
|---------------------|-------------|----------------|----------------------|----------------|--------------------|---------------|
| Default | 499,342.9 | 30.3% | \$ 27,813,561 | 19.1% | \$ 98,509 | \$ 0.00020 |
| Standard Offer | 971,143.8 | 58.9% | \$ 52,004,686 | 35.8% | \$ 184,188 | \$ 0.00019 |
| Competitive | 177,947.2 | 10.8% | \$ - | 0.0% | \$ - | \$ - |
| <u>Delivery</u> | | <u>0.0%</u> | <u>\$ 65,576,464</u> | <u>45.1%</u> | <u>\$ 232,256</u> | |
| Total | 1,648,433.9 | 100.0% | \$ 145,394,711 | 100.0% | \$ 514,954 | \$ 0.00031 |

Note 1: Allocated to Default and Standard Offer Service in proportion to the ratio of DS or SOS revenue to total revenue.

Energy Label Allocation

| <u>Company</u> | <u>Quarterly Pamphlet Distribution</u> | | | | | | <u>Allocated</u> |
|----------------|--|-------------|------------------|-----------------|--------------|-------------------|------------------|
| | <u>March</u> | <u>June</u> | <u>September</u> | <u>December</u> | <u>Total</u> | <u>% of Total</u> | <u>Cost</u> |
| BE-SOS | 515,000 | 515,000 | 515,000 | 515,000 | 2,060,000 | 43.24% | \$ 41,045.20 |
| BE-DS | 260,000 | 260,000 | 260,000 | 260,000 | 1,040,000 | 21.83% | \$ 20,721.85 |
| COM-SOS | 305,000 | 305,000 | 305,000 | 305,000 | 1,220,000 | 25.61% | \$ 24,308.32 |
| COM-DS | 50,000 | 50,000 | 50,000 | 50,000 | 200,000 | 4.20% | \$ 3,984.97 |
| CAM-SOS | 35,000 | 35,000 | 35,000 | 35,000 | 140,000 | 2.94% | \$ 2,789.48 |
| CAM-DS | 26,000 | 26,000 | 26,000 | 26,000 | 104,000 | 2.18% | \$ 2,072.18 |
| TOT | 1,191,000 | 1,191,000 | 1,191,000 | 1,191,000 | 4,764,000 | 100.00% | \$ 94,922.00 |

NSTAR ELECTRIC

D.T.E. 03-88A, D.T.E. 03-88B, D.T.E. 03-88C
Year 2003

| <u>Solicitation</u> | <u>Contract Review</u> | <u>Contract Negotiations</u> | <u>Data Services</u> | <u>Regulatory</u> | <u>Analysis</u> | <u>Total</u> |
|---------------------------------|----------------------------|----------------------------------|--------------------------|-------------------|-----------------|------------------|
| 1 Average Labor Cost per Hour | \$ 51.68 | \$ 54.62 | \$ 43.40 | \$ 54.62 | \$ 30.29 | \$ 51.57 |
| 2 Annual Hours | 412 | 360 | 20 | 180 | 72 | 1,044 |
| 3 Cost of Labor | \$ 21,292 | \$ 19,663 | \$ 868 | \$ 9,832 | \$ 2,181 | \$ 53,836 |
| 4 <u>Labor Overheads @ 74%</u> | <u>\$ 15,756</u> | <u>\$ 14,551</u> | <u>\$ 642</u> | <u>\$ 7,275</u> | <u>\$ 1,614</u> | <u>\$ 39,839</u> |
| 5 Sub-total | \$ 37,048 | \$ 34,214 | \$ 1,510 | \$ 17,107 | \$ 3,795 | \$ 93,674 |
| 6 <u>Other Costs (Legal)</u> | | | | | | <u>\$ 38,796</u> |
| 7 Total | | | | | | \$ 132,470 |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 <u>Administration</u> | <u>Contract Admin</u> | <u>Data Services</u> | <u>Billing</u> | <u>Total</u> | | |
| 11 | | | | | | |
| 12 Average Labor Cost per Hour | \$ 34.08 | \$ 43.40 | \$ 43.40 | \$ 36.09 | | |
| 13 Annual Hours | 153 | 20 | 22 | 195 | | |
| 14 Cost of Labor | \$ 5,214 | \$ 868 | \$ 955 | \$ 7,037 | | |
| 15 <u>Labor Overheads @ 74%</u> | <u>\$ 3,859</u> | <u>\$ 642</u> | <u>\$ 707</u> | <u>\$ 5,207</u> | | |
| 16 Total | \$ 9,073 | \$ 1,510 | \$ 1,661 | \$ 12,244 | | |
| 17 | | | | | | |
| 18 <u>RPS</u> | <u>Admin</u> | | | | | |
| 19 | | | | | | |
| 20 Average Labor Cost per Hour | \$ 51.68 | | | | | |
| 21 Annual Hours | 40 | | | | | |
| 22 Cost of Labor | \$ 2,067 | | | | | |
| 23 <u>Labor Overheads @ 74%</u> | <u>\$ 1,530</u> | | | | | |
| 24 Total | \$ 3,597 | | | | | |

Note: Costs are based upon year 2003 experience adjusted to reflect 4 solicitations in 2004 and beyond.

**Fitchburg Gas and Electric Light Company
d/b/a Unitil**

Computation of Adder to Default Service and Distribution Base Rate Adjustment

| | Costs to be included in Default Service (annual cost) | kWh Used by Default Service Customers (1) | Adder to Default Service | Costs to be transferred from Distribution Base Rates to Default Service (annual cost) | kWh Used by All Customers (1) | Base Rate Decrease |
|-------------------|---|---|--------------------------|---|-------------------------------|--------------------|
| Wholesale: | | | | | | |
| 1 | Design and implementation of competitive bidding process, including evaluation of supplier bids and contract negotiations, and ongoing administration and execution of contracts with suppliers, including accounting activities necessary to track payments made to suppliers (Page 2) | | | | | |
| | <u>\$17,278</u> | <u>336,750,644</u> | <u>\$0.00005</u> | <u>\$17,278</u> | <u>538,079,916</u> | <u>\$0.00003</u> |
| 2 | Total Wholesale | 336,750,644 | \$0.00005 | \$17,278 | 538,079,916 | \$0.00003 |
| Retail: | | | | | | |
| 3 | Unrecovered bad debt (Page 3) (2) | 336,750,644 | \$0.00051 | excluded from base rates in D.T.E. 02-24/25 | | |
| 4 | Compliance with DTE's regulatory requirements including required communication with DS customers pursuant to 220 CMR 11.06 (Page 4) | 336,750,644 | \$0.00015 | \$51,933 | 538,079,916 | \$0.00010 |
| 5 | Compliance with MA Renewable Energy Portfolio Standard, 225 CMR 14 | | | | | |
| | Total Labor and Overhead Cost (Page 5) | 336,750,644 | \$0.00000 | \$421 | 538,079,916 | \$0.00000 |
| 6 | Other Related Direct Charges (Page 5) | <u>336,750,644</u> | <u>\$0.00060</u> | incremental cost; not included in base rates | | |
| | <u>\$202,050</u> | | | | | |
| 7 | Total Retail | 336,750,644 | \$0.00127 | \$52,355 | 538,079,916 | \$0.00010 |
| 8 | Total Wholesale and Retail | 336,750,644 | \$0.00132 | \$69,633 | 538,079,916 | \$0.00013 |
| 9 | Cost of working capital (2) (Page 6) | <u>336,750,644</u> | <u>\$0.00032</u> | excluded from base rates in D.T.E. 02-24/25 | | |
| | <u>\$107,899</u> | | | | | |
| 10 | Grand Total | 336,750,644 | \$0.00164 | <u>\$69,633</u> | <u>538,079,916</u> | <u>\$0.00013</u> |
| 11 | Less: MA Renewable Energy Portfolio Standard Direct Charges (3) | <u>336,750,644</u> | <u>\$0.00060</u> | | | |
| | <u>\$202,050</u> | | | | | |
| 12 | Adder to Default Service (not incl. Supply & MA Renewable Energy Portfolio Standard Direct Charges) | 336,750,644 | \$0.00104 | | | |
| | <u>\$349,262</u> | | | | | |

Notes:

- (1) Based on estimate for January-December 2005. Default Service estimate also includes estimate of 2005 kWh sales projected for Standard Offer Service ("SOS"). Because all SOS customers will switch to Default Service on March 1, 2005, sales associated with SOS are included in this calculation.
- (2) Based on 2005 figures provided in Unitil's Annual Electric Reconciliation and Rate filing. Amounts for reconciliation shall reflect actual bad debt and working capital, calculated in accordance with Unitil's Default Service tariff, MDTE No. 114.
- (3) These costs are already included in FG&E's current default service price.

Wholesale Costs to be Included in Default Service

Design and implementation of competitive bidding process, including evaluation of supplier bids and contract negotiations, and ongoing administration and execution of contracts with suppliers, including accounting activities necessary to track payments made to suppliers.

| | <u>Total</u> | <u>Notes</u> |
|--|------------------------|--------------|
| <i>Energy Services Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$36.01 | 1 |
| 2 Estimated Annual Hours Required - Solicitation | 169 | |
| 3 Estimated Annual Hours Required - Administration | <u>56</u> | |
| 4 Total Estimated Annual Hours Required to Accomplish Task | <u>225</u> | |
| 5 Cost of Labor | \$8,102 | |
| 6 Overhead | <u>\$7,697</u> | 2 |
| 7 Total Labor and Overhead Cost | <u>\$15,799</u> | |
| <i>Regulatory Services Department:</i> | \$0 | |
| <i>Accounts Payable Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$17.09 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>4.0</u> | |
| 3 Cost of Labor | \$68 | |
| 4 Overhead | <u>\$65</u> | 2 |
| 5 Total Labor and Overhead Cost | <u>\$133</u> | |
| <i>Treasury Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$29.95 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>14.0</u> | |
| 3 Cost of Labor | \$419 | |
| 4 Overhead | <u>\$398</u> | 2 |
| 5 Total Labor and Overhead Cost | \$818 | |
| 6 Other Related Direct Charges (wire transfers) | <u>\$528</u> | |
| 7 Total Cost | <u>\$1,346</u> | |
| <i>Communications Department:</i> | \$0 | |
| <i>Information Systems Department:</i> | \$0 | |
| TOTAL ANNUAL COST | <u>\$17,278</u> | |

Notes:

- 1) Hourly wages for positions effective 2003.
- 2) Based on Unitil Service Corp overhead rate of 95% effective January 2003-December 2003.

Retail Costs to be Included in Default Service

Monthly Electric Write Offs (Gross) - Electric Division
Calendar Year 2003
Computation of Bad Debt Allocation Factor

| <u>Month</u> | <u>Delivery Component</u> | <u>Default Service Component</u> | <u>Standard Offer Service Component</u> | <u>Total</u> |
|-------------------|-------------------------------|--------------------------------------|---|------------------|
| Jan-03 | \$15,631 | \$8,580 | \$3,945 | \$28,156 |
| Feb-03 | \$17,638 | \$9,369 | \$4,705 | \$31,712 |
| Mar-03 | \$20,039 | \$10,915 | \$4,778 | \$35,732 |
| Apr-03 | \$22,240 | \$15,107 | \$2,710 | \$40,057 |
| May-03 | \$30,682 | \$16,256 | \$4,018 | \$50,955 |
| Jun-03 | \$21,473 | \$12,335 | \$4,378 | \$38,187 |
| Jul-03 | \$29,051 | \$17,207 | \$3,085 | \$49,343 |
| Aug-03 | \$34,154 | \$21,063 | \$3,763 | \$58,981 |
| Sep-03 | \$26,003 | \$17,075 | \$1,271 | \$44,350 |
| Oct-03 | \$19,964 | \$12,565 | \$1,733 | \$34,262 |
| Nov-03 | \$20,126 | \$11,372 | \$4,378 | \$35,876 |
| Dec-03 | <u>\$50,497</u> | <u>\$30,007</u> | <u>\$5,308</u> | <u>\$85,813</u> |
| Total | \$307,499 | \$181,852 | \$44,073 | \$533,423 |
| Percentage | 57.65% | 34.09% | 8.26% | 100.00% |

| | | |
|--|---------------|----------------------------------|
| Bad Debt Expense from DTE 02-24/25 | \$405,501 | Tab D, Sch. MHC-7-8 (Electric) |
| Bad Debt Allocation Factor | <u>42.35%</u> | Standard Offer & Default Service |
| 2005 Bad Debt Costs Allocated to Default Service | \$171,730 | |

Source: As filed in D.T.E. 04-108, Unitil's Annual Electric Reconciliation and Rate filing, dated November 24, 2004, Schedule KMA-3 Page 4 of 7 and Page 7 of 7.

Retail Costs to be Included in Default Service

Compliance with DTE's regulatory requirements including required communication with DS customers pursuant to 220 CMR 11.06.

| | <u>Total</u> | <u>Notes</u> |
|---|------------------------|--------------|
| <i>Energy Services Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$36.01 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>20.0</u> | |
| 3 Cost of Labor | \$720 | |
| 4 Overhead | <u>\$684</u> | 2 |
| 5 Total Labor and Overhead Cost | <u>\$1,404</u> | |
| <i>Regulatory Services Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$34.80 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task: | <u>104.0</u> | |
| 3 Cost of Labor | \$3,619 | |
| 4 Overhead | <u>\$3,438</u> | 2 |
| 5 Total Labor and Overhead Cost | \$7,057 | |
| 6 Other Related Direct Charges (outside legal costs & miscellaneous) | <u>\$20,000</u> | |
| 7 Total Cost | <u>\$27,057</u> | |
| <i>Accounts Payable Department:</i> | \$0 | |
| <i>Treasury Department:</i> | \$0 | |
| <i>Communications Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$30.77 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>96.0</u> | |
| 3 Cost of Labor | \$2,954 | |
| 4 Overhead | <u>\$2,806</u> | 2 |
| 5 Total Labor and Overhead Cost | \$5,760 | |
| 6 Other Related Direct Charges (printing costs for disclosure label and default service rate pamphlet) | \$17,600 | |
| 7 Total Cost | <u>\$23,360</u> | |
| <i>Information Systems Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$28.55 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>2.0</u> | |
| 3 Cost of Labor | \$57 | |
| 4 Overhead | <u>\$54</u> | 2 |
| 5 Total Labor and Overhead Cost | \$111 | |
| TOTAL ANNUAL COST | <u>\$51,933</u> | |

Notes:

- 1) Hourly wages for positions effective 2003.
- 2) Based on Unitil Service Corp overhead rate of 95% effective January 2003-December 2003.

Retail Costs to be Included in Default Service

Compliance with MA Renewable Energy Portfolio Standard, 225 CMR 14

| | <u>Total</u> | <u>Notes</u> |
|---|-----------------------------|--------------|
| <i>Energy Services Department:</i> | | |
| 1 Average Cost of Labor per Hour | \$36.01 | 1 |
| 2 Estimated Annual Hours Required to Accomplish Task | <u>6</u> | |
| 3 Cost of Labor | \$216 | |
| 4 Overhead | <u>\$205</u> | 2 |
| 5 Total Labor and Overhead Cost | \$421 | |
| 6 Other Related Direct Charges (estimated cost of renewable energy certificates) | <u>\$202,050</u> | 3 |
| 7 Total Cost | <u>\$202,472</u> | |
| <i>Regulatory Services Department:</i> | \$0 | |
| <i>Accounts Payable Department:</i> | \$0 | |
| <i>Treasury Department:</i> | \$0 | |
| <i>Communications Department:</i> | \$0 | |
| <i>Information Systems Department:</i> | \$0 | |
| TOTAL ANNUAL COST | <u>\$202,472</u> | |

Notes:

- 1) Hourly wages for positions effective 2003.
 - 2) Based on Unitil Service Corp overhead rate of 95% effective January 2003-December 2003.
 - 3) Estimate of cost of Renewable Energy Certificate ("RECs") purchases. FG&E currently includes RECs cost in Default Service price. Actual costs are fully reconciled. Alternative Compliance payments would also be included here.
- Assumes Default Service load * 1.5% * \$40/MWH

Calculation of Cash Working Capital for Default Service (1)

| | <u>Jan-05</u> <u>Estimate</u> | <u>Feb-05</u> <u>Estimate</u> | <u>Mar-05</u> <u>Estimate</u> | <u>Apr-05</u> <u>Estimate</u> | <u>May-05</u> <u>Estimate</u> | <u>Jun-05</u> <u>Estimate</u> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| 1 Default Service Supplier Costs | \$1,918,701 | \$1,833,280 | \$2,255,706 | \$2,203,930 | \$1,974,512 | \$2,210,077 |
| 2 Number of Days of Lag / 365 (13.49/365) | 3.70% | 3.70% | 3.70% | 3.70% | 3.70% | 3.70% |
| 3 Working Capital Requirement (L.1 * L.2) | \$70,913 | \$67,756 | \$83,368 | \$81,455 | \$72,976 | \$81,682 |
| 4 Cost of Equity | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| 5 Cost of Debt | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| 6 Effective Tax Rate | 38.03% | 38.03% | 38.03% | 38.03% | 38.03% | 38.03% |
| 7 Tax Adjusted Cost of Capital (L.5 + (L.4/(1-L.6))) | 11.11% | 11.11% | 11.11% | 11.11% | 11.11% | 11.11% |
| 8 Cost of Working Capital (L.3 * L.7) | \$7,877 | \$7,526 | \$9,261 | \$9,048 | \$8,106 | \$9,073 |

| | <u>Jul-05</u> <u>Estimate</u> | <u>Aug-05</u> <u>Estimate</u> | <u>Sep-05</u> <u>Estimate</u> | <u>Oct-05</u> <u>Estimate</u> | <u>Nov-05</u> <u>Estimate</u> | <u>Dec-05</u> <u>Estimate</u> | <u>Total</u> <u>Jan-Dec 05</u> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| 1 Default Service Supplier Costs | \$2,494,304 | \$2,453,460 | \$2,334,324 | \$2,052,940 | \$2,090,766 | \$2,459,873 | \$26,281,873 |
| 2 Number of Days of Lag / 365 (13.49/365) | 3.70% | 3.70% | 3.70% | 3.70% | 3.70% | 3.70% | |
| 3 Working Capital Requirement (L.1 * L.2) | \$92,187 | \$90,677 | \$86,274 | \$75,874 | \$77,272 | \$90,914 | \$971,349 |
| 4 Cost of Equity | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | |
| 5 Cost of Debt | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | |
| 6 Effective Tax Rate | 38.03% | 38.03% | 38.03% | 38.03% | 38.03% | 38.03% | |
| 7 Tax Adjusted Cost of Capital (L.5 + (L.4/(1-L.6))) | 11.11% | 11.11% | 11.11% | 11.11% | 11.11% | 11.11% | |
| 8 Cost of Working Capital (L.3 * L.7) | \$10,240 | \$10,073 | \$9,583 | \$8,428 | \$8,584 | \$10,099 | \$107,899 |

Line 1: Sum of Line 1 from Schedule KMA-2 Page 6 of 8 and Line 1 from Schedule KMA-3 Page 5 of 7 of Unitil's November 24, 2004 Annual Electric Reconciliation Filing in D.T.E. 04-108.

Line 2: Number of Days of Lag as calculated in the Company's Lead/Lag Study, Schedule MHC-7 in DTE 02-84. Revised in Exhibit FG&E-MHC-2.

Line 4: DTE 02-24/25 December 2, 2002 Order.

Line 5: DTE 02-24/25 December 2, 2002 Order.

Line 6: 2004 Federal and State combined tax rate.

(1) January and February 2005 include working capital currently related to Standard Offer Service ("SOS"). Because all SOS customers will switch to Default Service on March 1, 2005, the working capital associated with SOS was included in this calculation.

Massachusetts Electric Company
Nantucket Electric Company

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Adjustment to Rates

| | | <u>Total</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | | <u>Total</u> |
|--|--|----------------|--------------------|-------------------|-------------------|---------------|--------------|
| | | | | | <u>G-2</u> | <u>G-3</u> | |
| <u>Section 1: Calculation of Credit to Distribution Rates</u> | | | | | | | |
| (1) | Total Default Service Costs | \$7,915,060 | \$6,011,319 | \$580,252 | \$661,744 | \$661,744 | \$1,323,489 |
| (2) | Distribution-Related kWh Deliveries for Credit Calculation | 21,843,887,663 | 8,574,637,710 | 2,153,180,643 | 3,031,133,446 | 3,614,331,984 | |
| (3) | Distribution Credit per kWh (Total) | (\$0.00036) | (\$0.00070) | (\$0.00026) | (\$0.00021) | (\$0.00018) | |
| (1) | Page 2, Section 4, Line (11) | | | | | | |
| (2) | Section 3, Line (1) | | | | | | |
| (3) | Line (1) ÷ Line (2), truncated after 5 decimal places; Rate G-3 represents an on-peak credit only, since the Rate G-3 off peak distribution energy charge is currently zero. | | | | | | |

Section 2: Calculation of Surcharge to Default Service Rates

| | | | | | | | |
|-----|---|----------------|---------------|---------------|--|--|---------------|
| (1) | Total Default Service Costs | \$7,915,060 | \$6,011,319 | \$580,252 | | | \$1,323,489 |
| (2) | Total Commodity kWh Deliveries for Adder Calculation | 17,301,822,368 | 8,503,511,411 | 1,929,269,047 | | | 6,869,041,910 |
| (3) | Default Service Surcharge per kWh | \$0.00045 | \$0.00070 | \$0.00030 | | | \$0.00019 |
| (1) | Page 2, Section 4, Line (11) | | | | | | |
| (2) | Section 3, Line (2) | | | | | | |
| (3) | Line (1) ÷ Line (2), truncated after 5 decimal places | | | | | | |

Section 3: kWh Data for the Period January 2003 through December 2003

| | | | | | | | |
|-----|---|-----------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|
| (1) | Total Company kWh Deliveries On Peak kWh Deliveries For Rate G-3 | 21,843,887,663 | 8,574,637,710 | 2,153,180,643 | 3,031,133,446 | 8,084,935,864 3,614,331,984 | 11,116,069,310 |
| (2) | Default Service kWh Deliveries | 4,509,053,531 | 2,127,459,434 | 746,096,422 | 675,783,011 | 959,714,664 | 1,635,497,675 |
| (3) | Standard Offer kWh Deliveries | <u>12,792,768,837</u> | <u>6,376,051,977</u> | <u>1,183,172,625</u> | <u>1,825,486,000</u> | <u>3,408,058,235</u> | <u>5,233,544,235</u> |
| (4) | Total Commodity kWh Deliveries | 17,301,822,368 | 8,503,511,411 | 1,929,269,047 | 2,501,269,011 | 4,367,772,899 | 6,869,041,910 |

Source: Company billing records

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Adjustment to Rates

| | | <u>Total</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | | <u>Total</u> |
|--|---|--------------------|--------------------|-------------------|-------------------|------------------|--------------------|
| | | | | | <u>G-2</u> | <u>G-3</u> | |
| <u>Section 1: Default Service Costs</u> | | | | | | | |
| <u>Wholesale Costs:</u> | | | | | | | |
| (1) | Procurement | \$57,995 | \$19,332 | \$19,332 | \$9,666 | \$9,666 | \$19,332 |
| (2) | Ongoing Administration | <u>\$9,231</u> | <u>\$3,077</u> | <u>\$3,077</u> | <u>\$1,538</u> | <u>\$1,538</u> | <u>\$3,077</u> |
| (3) | Total Wholesale Costs | \$67,226 | \$22,409 | \$22,409 | \$11,204 | \$11,204 | \$22,409 |
| <u>Direct Retail:</u> | | | | | | | |
| (4) | Customer Communication and Rate Change Processing | \$18,501 | \$6,167 | \$6,167 | \$3,084 | \$3,084 | \$6,167 |
| (5) | Environmental Disclosure Label | \$11,540 | \$3,847 | \$3,847 | \$1,923 | \$1,923 | \$3,847 |
| (6) | RPS Compliance Costs | \$6,931 | \$2,310 | \$2,310 | \$1,155 | \$1,155 | \$2,310 |
| (7) | Bad Debt Expense | <u>\$7,810,862</u> | <u>\$5,976,586</u> | <u>\$545,520</u> | <u>\$399,318</u> | <u>\$889,438</u> | <u>\$1,288,756</u> |
| (8) | Total Direct Retail Costs | \$7,847,834 | \$5,988,910 | \$557,844 | \$405,480 | \$895,600 | \$1,301,080 |
| (9) | Total Default Service Costs | \$7,915,060 | \$6,011,319 | \$580,252 | \$416,684 | \$906,805 | \$1,323,489 |

- (1) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, Exhibit MJH-1; allocated equally to residential, commercial and industrial customer classes
(2) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, Exhibit MJH-1; allocated equally to residential, commercial and industrial customer classes
(3) Line (1) + Line (2)
(4) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, Exhibit TMB-2; allocated equally to residential, commercial and industrial customer classes
(5) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, Exhibit MJH-2; allocated equally to residential, commercial and industrial customer classes
(6) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, Exhibit MJH-3; allocated equally to residential, commercial and industrial customer classes
(7) January 20, 2004 Default Service Cost Recovery Filing, DTE 03-88E, updated to include comparable data related to Standard Offer bad debt expense
(8) Sum of Lines (4) through (7)
(9) Line (3) + Line (8)

Western Massachusetts Electric Company

| | | <u>Workpaper Reference</u> |
|--|--------------------|----------------------------|
| Wholesale Costs to be included with Default Service | | |
| Solicitation | \$100,812 | Workpaper 2, line 25 |
| Administration | 6,771 | Workpaper 2, line 21 |
| Consultant | 56,000 | Workpaper 2, line 29 |
| Legal | <u>2,500</u> | Workpaper 2, line 28 |
| Total | \$166,083 | |
| Direct Retail Costs to be included with Default Service | | |
| Bad Debt | \$1,845,638 | Workpaper 1, line 19 |
| Billing/IT | 10,200 | Workpaper 2, line 15 |
| Regulatory | 1,560 | Workpaper 2, line 37 |
| Legal | 5,000 | Workpaper 2, line 30 |
| Communications | <u>14,447</u> | Workpaper 2, line 9 |
| Total | \$1,876,845 | |
| Total Default Service Costs | \$2,042,928 | |
| Adjustment to Distribution Rates | | |
| Distribution Sales * | 4,014,226 MWH | |
| Average Adjustment Rate | (\$0.00051) / kWh | |
| Adjustment to Default Service Rates | | |
| Default Service Sales * | 3,436,656 MWH | |
| Average Adjustment Rate | \$0.00059 / kWh | |

* Source: 2003 Billed Sales.

**Western Massachusetts Electric Company
Bad Debt Expense- 2003**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

| <u>Service Type</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>Jul</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Total</u> |
|---------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| Default Fixed | \$109,009 | \$66,473 | \$44,763 | \$17,497 | \$105,168 | \$59,875 | \$139,817 | \$32,982 | \$108,982 | \$108,032 | \$40,585 | \$109,351 | \$942,535 |
| Default Variable | <u>116</u> | <u>603</u> | <u>1,022</u> | <u>117</u> | <u>662</u> | <u>-</u> | <u>2,160</u> | <u>235</u> | <u>128</u> | <u>331</u> | <u>-</u> | <u>133</u> | <u>5,507</u> |
| Subtotal | \$109,125 | \$67,076 | \$45,785 | \$17,614 | \$105,830 | \$59,875 | \$141,977 | \$33,217 | \$109,110 | \$108,363 | \$40,585 | \$109,483 | \$948,041 |
| Standard Offer | 66,936 | 31,091 | 28,670 | 32,815 | 69,027 | 35,594 | 73,571 | 223,342 | 120,224 | 100,150 | 40,031 | 76,147 | 897,597 |
| <u>Default</u> | <u>109,125</u> | <u>67,076</u> | <u>45,785</u> | <u>17,614</u> | <u>105,830</u> | <u>59,875</u> | <u>141,977</u> | <u>33,217</u> | <u>109,110</u> | <u>108,363</u> | <u>40,585</u> | <u>109,483</u> | <u>948,041</u> |
| Total | \$ 176,060 | \$ 98,167 | \$ 74,456 | \$ 50,429 | \$ 174,857 | \$ 95,469 | \$ 215,548 | \$ 256,559 | \$ 229,334 | \$ 208,513 | \$ 80,617 | \$ 185,630 | \$ 1,845,638 |

Estimated Wholesale and Retail Default Service Costs *

| | (A) | (B) | (C) | (D) | (E) | (F) |
|----|---|---|--------------|--|-----------------------|--------------------|
| | <u>Title/Grade</u> | <u>Activity</u> | <u>Hours</u> | <u>Labor Rate Including Overhead</u> | <u>Wholesale Cost</u> | <u>Retail Cost</u> |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | <u>Communications/Website</u> | | | | | |
| 4 | 1 - Manager | Design | 2 | \$43.01 | | \$86 |
| 5 | 1 - Graphic Designer | Design | 20 | \$50.00 | | 1,000 |
| 6 | Printing cost | Outside Service | | | | 11,721 |
| 7 | 1 - AE / Supplier Services | Determining website updates | 4 | \$35.00 | | 140 |
| 8 | 1 - IT Web Master / Level 2 | Updating / designing website | 40 | \$37.50 | | <u>1,500</u> |
| 9 | Sub-Total | | | | | \$14,447 |
| 10 | | | | | | |
| 11 | <u>Billing Implementation/Review</u> | | | | | |
| 12 | 4 - Clerical / Accountants | Testing/Updating prices in CS | 144 | \$25.00 | | \$3,600 |
| 13 | 1 - IT Consultant | Creating test bills | 60 | \$100.00 | | 6,000 |
| 14 | 1 - IT Operations | Moving rate tables into CS | 12 | \$50.00 | | <u>600</u> |
| 15 | Sub-Total | | | | | \$10,200 |
| 16 | | | | | | |
| 17 | <u>Contract Administration</u> | | | | | |
| 18 | 1 - Analyst | Bill Payment | 60 | \$37.50 | \$2,250 | |
| 19 | 2 - Analyst / 2 - Manager | Contract Review | 65 | \$62.50 | 4,063 | |
| 20 | 1 - Programmer | Contract Administration | 10 | \$45.83 | <u>458</u> | |
| 21 | Sub-Total | | | | \$6,771 | |
| 22 | | | | | | |
| 23 | <u>Procurement/Contract Negotiations</u> | | | | | |
| 24 | 3 - Analyst / 2 - Manager / 1 - Legal | Administration / Execution / Solicitation | 1364 | \$73.90 | <u>\$100,812</u> | |
| 25 | Sub-Total | | | | \$100,812 | |
| 26 | | | | | | |
| 27 | <u>Other Costs</u> | | | | | |
| 28 | 1 - Legal / Regulatory Attorney | Document Review / Regulatory | 60 | \$125.00 | \$2,500 | \$5,000 |
| 29 | DTE Consultant | Outside Service | - | | <u>56,000</u> | |
| 30 | Sub-Total | | | | \$58,500 | \$5,000 |
| 31 | | | | | | |
| 32 | <u>Regulatory</u> | | | | | |
| 33 | 1 - Regulatory Analyst | Regulatory / Compliance filings | 8 | \$43.01 | | \$344 |
| 34 | 1 - Regulatory Processing Tech | TRACS Filing | 4 | \$28.68 | | 115 |
| 35 | 1 - Team Leader - Market Pricing | Market Pricing - Rate Changes | 16 | \$50.18 | | 803 |
| 36 | 1 - Senior Equipment Operator | Reproduction | 8 | \$37.28 | | <u>298</u> |
| 37 | Sub-Total | | | | | \$1,560 |
| 38 | | | | | | |
| 39 | Total | | | | <u>\$166,083</u> | <u>\$31,207</u> |

* Note: Costs have been derived based upon year 2003 data extrapolated to reflect 4 solicitations per year.